

Message Text

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PAGE 01 CARACA 08232 112013Z

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ACTION ARA-10

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01 /091 W

----- 030637

R 111850Z AUG 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 9769

INFO AMEMBASSY BOGOTA

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: ECIN EIND EGEN

SUBJECT: ANDEAN PACT: INDUSTRIAL PROGRAM NEGOTIATIONS

REF LIMA 6140

1. SUMMARY: EMBASSY HAS RECEIVED CONTRADICTORY REPORTS FROM GOV OFFICIALS ABOUT ANDEAN PACT NEGOTIATIONS. EMBASSY BELIEVES GOV MIGHT BE WILLING TO MAKE SIGNIFICANT CONCESSIONS ON AUTOMOTIVE SECTOR PROGRAMMING RATHER THAN SEE NEGOTIATIONS FAIL. END SUMMARY

2. THE EMBASSY HAS RECEIVED CONFLICTING REPORTS IN RECENT CONVERSATIONS WITH GOV OFFICIALS REGARDING PROGRESS IN ANDEAN PACT INDUSTRIAL PROGRAM NEGOTIATIONS. THE ECONOMIC COUNSELOR OF THE MINISTRY OF FOREIGN AFFAIRS TOLD AN EMBASSY OFFICER AUG 5 THAT THE DEADLOCK IN AUTOMOTIVE PROGRAMMING HAD BEEN RAISED AT THE RECENT MEETING OF THE PRESIDENTS OF COLOMBIA
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PAGE 02 CARACA 08232 112013Z

AND VENEZUELA AT SANTA MARTA. HE SAID THE FOREIGN

MINISTER ESCOVAR SALOM WAS "UPSET" ABOUT THE OUTCOME OF THE DISCUSSIONS WHICH LEFT A CONSIDERABLE ELEMENT OF DISAGREEMENT BETWEEN THE TWO COUNTRIES.

3. EMBOFF ALSO DISCUSSED INDUSTRIAL PROGRAM NEGOTIATIONS WITH DR. PEDRO CARMONA, CHIEF OF THE INTEGRATION DEPARTMENT, INSTITUTE OF FOREIGN TRADE (ICE), WITH PARTICULAR REFERENCE TO MATTERS RAISED IN REFTEL. THROUGHOUT DISCUSSION CARMONA ASSUMED OPTIMISTIC ATTITUDE REGARDING PROGRESS OF INDUSTRIAL PROGRAM AND TENDED TO DOWNPLAY PROBLEMS OF AGREEMENT WITHIN ANDEAN PACT COMMISSION.

4. CARMONA SAID THAT COMMISSION HAD REACHED AGREEMENT ON PETROCHEMICAL SECTOR AND THAT ALL THAT REMAINED WAS FOR THE TECHNICIANS TO WORK OUT DETAILS. HE SAID THAT VENEZUELA WAS VERY SATISFIED WITH THE RESULTS, WHICH WOULD ENABLE IT TO PRODUCE ON A SUFFICIENTLY LARGE SCALE TO EXPORT TO THIRD-COUNTRY MARKETS AS WELL AS WITHIN THE SUB-REGION.

5. CARMONA SAID HE FELT SURE THAT CONSIDERABLE PROGRESS IF NOT AGREEMENT WOULD BE REACHED ON THE AUTOMOTIVE PROGRAMMING DURING THE NEXT COMMISSION MEETING SCHEDULED TO BEGIN AUG 12. IN RESPONSE TO EMBOFF'S COMMENT THAT WE UNDERSTOOD THERE HAS BEEN DIFFICULTY IN AGREEING TO MARKET SHARES, PARTICULARLY BETWEEN VENEZUELA AND COLOMBIA, CARMONA SAID THERE WERE NO INSURMOUNTABLE OBSTACLES IN THE AUTOMOTIVE FIELD. HE DID KNOW THAT WHILE AGREEMENT ON THE COOPERATIVE PRODUCTION OF PARTS WOULD NOT BE DIFFICULT, THE ASSIGNMENT OF TYPES OF VEHICLES FOR PRODUCTION WAS MORE COMPLICATED.

6. CARMONA SAID THAT CHILE'S DEMAND FOR A LOWER COMMON EXTERNAL TARIFF ON PETROCHEMICALS (SEE REFTEL) WAS TO BE EXPECTED, SINCE THAT COUNTRY HAD THE LOWEST EXTERNAL TARIFF AND THE EFFECT OF AN INCREASE IN PRICES ON IMPORTS WOULD BE GREATEST IN CHILE, WHICH IS ALREADY SUFFERING FROM INTERNAL INFLATION. NEVERTHELESS, HE EXPECTED CHILE TO COME AROUND IN ORDER TO CONTINUE THE PROCESS OF INTEGRATION.

7. COMMENT: CONTRADICTION IN ABOVE VIEWS OF GOV OFFICIALS
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PAGE 03 CARACA 08232 112013Z

IS DIFFICULT TO RECONCILE. CARMONA MAY FEEL COMPELLED TO PAINT OPTIMISTIC PICTURE OF PROGRESS BEING MADE IN THE COMMISSION. THE GOV IS SENSITIVE TO CRITICISM THAT INTEGRATION WITHIN THE ANDEAN PACT IS NOT MOVING AS FAST AS IT SHOULD. CARMONA HIMSELF HAS A CONSIDERABLE PERSONAL INVESTMENT IN THE SUCCESS OF THE PACT SINCE HE WAS CHIEF ASSISTANT TO AMBASSADOR JULIO SOSA RODRIGUEZ, WHO NEGOTIATED VENEZUELA'S ENTRY INTO THE PACT.

8. IN ANY EVENT, EMBASSY BELIEVES GOV MIGHT BE WILLING
TO MAKE SIGNIFICANT CONCESSIONS IN AUTOMOTIVE SECTOR
RATHER THAN SEE NEGOTIATIONS FAIL. PRESIDENT PEREZ HAS
CONSISTENTLY EMPHASIZED NEED FOR LA NATIONS TO MAKE
HARD DECISIONS IN ORDER TO ACHIEVE ECONOMIC INTEGRATION.
HEAD OF LOCAL CHRYSLER SUBSIDIARY TOLD AMBASSADOR RECENTLY
THAT VENEZUELA WOULD PROBABLY COMPROMISE ON AUTOMOTIVE
SECTOR IN THE END.
SHLAUDEMAM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL DEVELOPMENT, MEETINGS, MEETING REPORTS, NEGOTIATIONS, PROGRAMS (PROJECTS), DIPLOMATIC DISCUSSIONS, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA08232
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750277-0224
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750861/aaaaccar.tel
Line Count: 125
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LIMA 6140
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 03 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 SEP 2003 by ShawDG>; APPROVED <03 DEC 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANDEAN PACT: INDUSTRIAL PROGRAM NEGOTIATIONS
TAGS: ECIN, EIND, EGEN, VE, US, XM, ANDEAN PACT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006